

## Fair credit billing

Have you ever been billed for merchandise you returned or never received? Has your credit card company ever charged you twice for the same item or failed to credit a payment to your account? One of the benefits of using credit and charge cards is that they come with built-in consumer protection under a federal law called the Fair Credit Billing Act (FCBA). This law gives you the right to dispute fraudulent and unfair credit charges.

The Fair Credit Billing Act (FCBA) applies to "open end" credit accounts, such as credit cards, revolving charge accounts (department store accounts), and overdraft checking accounts. It does not cover installment contracts – loans or extensions of credit you repay on a fixed schedule. Consumers often buy cars, furniture and major appliances on an installment basis, and repay personal loans in installments as well.

### What types of disputes are covered?

The FCBA settlement procedures apply only to disputes about "billing errors." For example:

- Unauthorized charges. Federal law limits your responsibility for unauthorized charges to \$50.

- Charges that list the wrong date or amount.
- Charges for goods and services you did not accept or were not delivered as agreed.
- Math errors.
- Failure to post payments and other credits, such as returns.
- Failure to send bills to your current address – provided you supply a change of address at least 20 days before the billing period ends.
- Charges for which you ask for an explanation, or written proof of purchase along with a claimed error or request for clarification.

To take advantage of the law's consumer protections, you must:

- Write to the creditor at the address given for "billing inquiries," not the address for sending your payments, and include your name, address, account number and a description of the billing error.
- Send your letter so that it reaches the creditor within 60 days after the first bill containing the error was mailed to you.

Send your letter by certified mail, return receipt requested, so you have proof of what the creditor received. Include copies (not originals) of sales slips or other documents that support your position. Keep a copy of your dispute letter.

The creditor must acknowledge your complaint in writing within 30 days after receiving it, unless the problem has been resolved. The creditor must resolve the dispute within two billing cycles (but not more than 90 days) after receiving your letter.

### What happens while my bill is in dispute?

You may withhold payment on the disputed amount (and related charges), during the investigation. You must pay any part of the bill not in question, including finance charges on the undisputed amount.

The creditor may not take any legal or other action to collect the disputed amount and related charges (including finance charges) during the investigation. While your account cannot be closed or restricted, the disputed amount may be applied against your credit limit.

## **Will my credit rating be affected?**

The creditor may not threaten your credit rating or report you as delinquent while your bill is in dispute. However, the creditor may report that you are challenging your bill. In addition, the Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants who exercise their rights, in good faith, under the FCBA. Simply put, you cannot be denied credit simply because you have disputed a bill.

## **What if the bill is incorrect?**

If your bill contains an error, the creditor must explain to you – in writing – the corrections that will be made to your account. In addition to crediting your account, the creditor must remove all finance charges, late fees or other charges related to the error.

If the creditor determines that you owe a portion of the disputed amount, you must get a written explanation. You may request copies of documents proving you owe the money.

## **What if the bill is correct?**

If the creditor's investigation determines the bill is correct, you must be told promptly and in writing how much you owe and why. You may ask for copies of relevant documents. At this point, you will owe the disputed amount, plus any finance charges that accumulated while the amount was in dispute. You also may have to pay the minimum amount

you missed paying because of the dispute.

If you disagree with the results of the investigation, you may write to the creditor, but you must act within 10 days after receiving the explanation, and you may indicate that you refuse to pay the disputed amount. At this point, the creditor may begin collection procedures. However, if the creditor reports you to a credit bureau as delinquent, the report also must state that you do not think you owe the money. The creditor must tell you who gets these reports.

## **If the creditor fails to follow the procedure**

Any creditor who fails to follow the settlement procedure may not collect the amount in dispute, or any related finance charges, up to \$50, even if the bill turns out to be correct. For example, if a creditor fails to acknowledge your complaint within the 30 days allowed after receiving it or takes more than two billing cycles to resolve a dispute, the penalty applies. The penalty also applies if a creditor threatens to report – or improperly reports – your failure to pay to anyone during the dispute period.

## **Quality or service disputes**

Disputes about the quality of goods and services are not "billing errors," so the dispute procedure does not apply. However, if you buy unsatisfactory goods or services with a credit or charge card, you can take the same legal actions against the card issuer as you

can take under state law against the seller.

To take advantage of this protection regarding the quality of goods or services, you must:

- Have made the purchase (it must be for more than \$50) in your home state or within 100 miles of your current billing address.
- Make a good faith effort to resolve the dispute with the seller first.

The dollar and distance limitations do not apply if the seller also is the card issuer – or if a special business relationship exists between the seller and the card issuer.

## **Other billing rights**

Businesses that offer "open end" credit also must:

- Give you a written notice when you open a new account that describes your right to dispute billing errors.
- Provide a statement for each billing period in which you owe – or they owe you – more than one dollar.
- Send your bill at least 14 days before the payment is due – if you have a period within which to pay the bill without incurring additional charges.
- Credit all payments to your account on the date they are received, unless no extra charges would result if they failed to do so. Creditors are permitted to set some reasonable rules for making payments, say setting a

reasonable deadline for payment to be received to be credited on the same date.

Promptly credit or return overpayments and other amounts owed to your account. This applies to instances where your account is owed more than one dollar. Your account must be credited promptly with the amount owed. If you prefer a refund, it must be sent within seven business days after the creditor receives your written request. The creditor must also make a good faith effort to refund a credit balance that has remained on your account for more than six months.

## Suing the creditor

You can sue a creditor who violates the FCBA. If you win, you may be awarded damages, plus twice the amount of any finance charge – as long as it is between \$500 and \$5,000. The court also may order the creditor to pay your attorney's fees and costs.

If possible, hire a lawyer who is willing to accept the amount awarded to you by the court as the entire fee for representing you. Some lawyers may not take your case unless you agree to pay their fee – win or lose – or add to the court-awarded amount if they think it is too low.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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(Taken from the FTC brochure "Disputing Credit Card Charges")

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## Sample Dispute Letter :

Date  
Your Name  
Your Address  
Your City, State, Zip Code  
Your Account Number

Name of Creditor  
Billing Inquiries  
Address  
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute a billing error in the amount of \$\_\_\_\_\_ on my account. The amount is inaccurate because (describe the problem). I am requesting that the error be corrected, that any finance and other charges related to the disputed amount be credited as well, and that I receive an accurate statement.

Enclosed are copies of (use this sentence to describe any enclosed information, such as billing statements, sales slips, payment records) supporting my position. Please investigate this matter and correct the billing error as soon as possible.

Sincerely,

Your name  
Enclosures: (List what you are enclosing.)